

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD
5 North Fifth Street
Harrisburg, Pennsylvania**

Regular Meeting

Minutes

**October 7, 2016
9:19 A.M.**

Board Members Present

Ms. Melva S. Vogler, Chairman
Mr. James M. Sando, Vice Chairman
Ms. Deborah J. Beck
Mr. Frederick T. Berestecky
Mr. James R. Biery
Representative Stephen Bloom
Ms. Stacey Connors for Senator Patrick M. Browne
Ms. Sally Keaveney for Senator Lawrence M. Farnese
Ms. Virginia M. Lastner (Telephonically)
Ms. Susan C. Lemmo
Mr. Nathan G. Mains
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Timothy A. Reese
Ms. Lori Graham for Secretary Pedro A. Rivera
Ambassador Martin J. Silverstein

Others Present

Mr. Sandy Leopold
Ms. Elizabeth Pettis, OGC
Ms. Lori Reber, Dept. of the Auditor General
Mr. Tom Weeter, PSEA-R
Ms. Denise Wimberly, Dept. of the Auditor General

Staff Members Present

Ms. Marilyn Allay	Mr. Tony Parisi
Ms. Megan Alley	Mr. Anthony Pinto
Ms. Barbara Book	Mr. Eugene Robison
Mr. Brian S. Carl	Ms. Terrill J. Sanchez
Ms. Brenda Cunard	Mr. Charles K. Serine
Ms. Franca D'Agostino	Mr. Steven Skoff
Ms. Kimberly Dubs	Mr. Charles J. Spiller
Mr. Glen R. Grell	Mr. Richard Spinks
Mr. James H. Grossman, Jr.	Ms. Kelly Sprenkle
Ms. Tammy Meshey	Mr. Joseph E. Wasiak, Jr.
	Ms. Evelyn Tatkovski Williams

CALL TO ORDER Chairman Vogler called the meeting to order at 9:19 A.M. in the fourth floor Board Room of PSERS Headquarters.

MINUTES APPROVED Mr. Mains moved to approve the minutes of the September 9, 2016 Board meeting. Representative Bloom seconded the motion, which passed unanimously.

WELCOME NEW EMPLOYEES AND GUESTS Mr. Grell welcomed new employees: Ms. Allay, Ms. Cunard, Ms. D'Agostino, Ms. Dubs and Mr. Pinto; and guests: Ms. Pettis, Ms. Reber, Mr. Weeter, and Ms. Wimberly.

NEW BUSINESS

DED SALARY INCREASE Mr. Grell informed the Board that the Governor's Office has authorized salary increases for management employees, equivalent to the raises union employees will receive, neither of which applies to the Deputy Executive Director. The Chairman of the Board will be submitting a request to the Office of Administration to grant the Deputy Executive Director a salary increase commensurate with the management salary increase.

AUDIT/BUDGET COMMITTEE REPORT

Representative Bloom reported on the meeting held October 6, 2016.

MINUTES APPROVED Representative Bloom stated that the Committee approved the minutes of the March 10, 2016 meeting.

2017-18 ADMIN BUDGET AND DIRECTED COMMISSIONS RECAPTURE PROGRAM BUDGET Representative Bloom moved that the Public School Employees' Retirement Board (the "Board") hereby approves the 2017-18 Administrative Budget, not to exceed \$45,841,000 and the 2017-18 Directed Commissions Recapture Program Budget, \$2,000,000, for the Public School Employees' Retirement System. Mr. Berestecky seconded the motion, which passed unanimously.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT Representative Bloom moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2016 Financial Statements prepared by the Public School Employees' Retirement System's Office of Financial Management and approves the accompanying Report of Independent Public Accountants prepared for the Public School Employees' Retirement System by SB & Company, LLC, for the year ended June 30, 2016.

Further, that the Board ratifies all payments that are reflected in the June 30, 2016 Financial Statements. Mr. Mains seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Mr. Mains reported on the meeting held October 6, 2016.

Mr. Mains stated that the Committee approved the minutes of the June 10, 2016 meeting.

Mr. Mains stated that Mr. Grossman presented his Market Review and Comments and updates were given, which include the following: Manager Updates by Mr. Spiller; Market Update Private Markets by Mr. Indelicato and Ms. Campbell of Portfolio Advisors; Market Update Real Estate by Mr. Humphrey and Mr. Murphy of Courtland Partners; "The Role of Placement Agents" by Mr. Eberle, Mr. Levine and Ms. Reilly of Park Hill; Private Markets Annual Report by Mr. Spiller; Real Estate Annual Report by Mr. Spiller; High Yield Annual Report by Mr. Spiller and a Preview of Future Meetings by Mr. Grossman.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Apollo European Principal Finance Fund III (Dollar A), L.P. (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Portfolio Manager, dated September 15, 2016 and Portfolio Advisors, LLC, dated August 29, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed with one abstention, from both the discussion and the vote, being Ambassador Silverstein.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Incline Equity Partners IV, L.P. (and/or related investment vehicles), in accordance with the recommendation of Luke M. Jacobs, Portfolio Manager, Private Markets, dated September 19, 2016 and Portfolio Advisors, LLC., dated August 29, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive

MINUTES APPROVED

PRESENTATIONS

APOLLO EUROPEAN
PRINCIPAL FINANCE
FUND III (DOLLAR A), L.P.

INCLINE EQUITY
PARTNERS IV, L.P.

Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Sando seconded the motion, which passed unanimously.

PLATINUM EQUITY
CAPITAL PARTNERS IV,
L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$300 million plus reasonable normal investment expenses, in Platinum Equity Capital Partners IV, L.P. (and/or related investment vehicles), in accordance with the recommendation of Luke M. Jacobs, Portfolio Manager, Private Markets, dated September 15, 2016 and Portfolio Advisors, LLC., dated August 29, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

BELL INSTITUTIONAL
FUND VI, L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$75 million plus reasonable normal investment expenses, in Bell Institutional Fund VI, L.P. (and/or related investment vehicles), in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated August 30, 2016 and Courtland Partners, Ltd. recommendation dated August 30, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director, as evidenced either by the appropriate signatures on the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Gallagher seconded the motion, which passed with 12 YES votes and 3 NO votes, being Mr. Biery, Mr. Sando and Ambassador Silverstein.

CABOT INDUSTRIAL
VALUE FUND V, L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Cabot Industrial Value Fund V, L.P. (and/or related investment vehicles), in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated August 30, 2016 and Courtland Partners, Ltd. recommendation dated August 30, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director, as evidenced either by the appropriate signatures on the implementing investment contract or by a memo to that effect

appended to the implementing investment contract. Ms. Lemmo seconded the motion, which passed unanimously.

EXETER INDUSTRIAL
VALUE FUND IV, L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Exeter Industrial Value Fund IV, L.P. (and/or related investment vehicles), in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated September 7, 2016 and Courtland Partners, Ltd. recommendation dated August 30, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director, as evidenced either by the appropriate signatures on the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on October 7, 2016.

Ms. Beck stated that the Committee approved the minutes of the September 9, 2016 meeting.

MINUTES APPROVED

Ms. Beck moved in the case of Louis V. Volpe, that the Board deny Claimant's request for oral argument; and adopts the Hearing Officer's Proposed Recommendation to deny Claimant's request to consider his return to school service to be a return during an emergency. Mr. Mains seconded the motion, which passed unanimously.

ACCOUNT OF
LOUIS V. VOLPE

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the July 20, 2016 meeting.

ESRC REPORT

PERSONNEL COMMITTEE REPORT

Mr. Craig reported on the meeting held October 7, 2016.

Mr. Craig stated that the Committee approved the minutes of the June 9, 2016 meeting.

MINUTES APPROVED

Mr. Craig stated that the Committee tabled the consideration of the Policy Manual for Investment Professional Staff for action at the December meeting.

ACTION TABLED

ELECTIONS COMMITTEE REPORT

Ambassador Silverstein reported on the meeting held October 7, 2016.

MINUTES APPROVED

Ambassador Silverstein stated that the Committee approved the minutes of the June 10, 2016 meeting.

NEW MEMBER CERTIFICATIONS

Ambassador Silverstein stated that Mr. Jason Davis was certified by acclamation in the election of Active Certified Seat A and Mr. Christopher SantaMaria was certified by acclamation in the election of Active Certified Seat B.

CHIEF COUNSEL REPORT

CC REPORT

Mr. Serine reported that the favorable outcome in the Pa. Commonwealth Court case of Schneider v. PSERB will be published as an official recorded opinion.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

DED REPORT

Ms. Sanchez gave an update, which included the CEM Defined Benefit Administration Benchmarking Analysis – FY 2015 and current initiatives relevant to the study.

Ms. Sanchez recognized Mr. Spinks for his diligent work on the Oracle contract and the resulting \$3 Million savings.

EXECUTIVE DIRECTOR'S REPORT

EVENTS ATTENDED

Mr. Grell reported that he made a presentation to the Lackawanna/Wayne PSEA-R on September 29; and participated in the Pittsburgh Office ribbon cutting on September 30.

UPCOMING EVENTS

Mr. Grell stated he will: attend the NCTR Conference in Providence, RI October 8-13; attend the NIRS Insights & Impact Visionary Meeting in Providence, RI October 13; make a presentation at the BOCC Conference at the Radisson Penn Harris in Harrisburg on October 19; make a presentation to the Berks County Superintendents at the Crowne Plaza in Harrisburg on October 27; and attend the PAPERS Fall Conference being held in Philadelphia November 15-16.

NEW POSITIONS

Mr. Grell stated that the Investment Office is actively filling six newly acquired Investment Professional positions.

Mr. Grell reported that Ms. Vogler and Mr. Mains recently attended the Council of Institutional Investors (CII) Conference in Chicago. The conference included a Trustee Workshop. Both Ms. Vogler and Mr. Mains attested to the value of the conference and workshop. They presented Mr. Grell with materials from both events for the Board members to review if they choose.

BOARD EDUCATION

Mr. Grell informed the Board that November 30 is the end of the Legislative session. PSERS' Legal Office and Office of Financial Management are processing requests for information as last minute requests are made. Mr. Parisi, PSERS' Legislative Liaison, is coordinating all activity between PSERS and the Legislature.

LEGISLATIVE UPDATE

Mr. Grell stated that the Auditor General's performance audit of PSERS is going smoothly. He thanked the Board for their cooperation with meeting requests as they are made.

AUDITOR GENERAL'S
PERFORMANCE AUDIT

Chairman Vogler adjourned the meeting at 2:05 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on December 7, 2016, at PSERS Headquarters, 5 N. 5th Street, Harrisburg, PA.

NEXT MEETING

11/1/2016
Date


Glen R. Grell
Executive Director